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Loans to Limited- Resource Farmers

U.S. DEPT. OF AGRICULTURE
FARMERS HOME ADMINISTRATION



A Rural Credit Agency of the
U.S. DEPARTMENT
OF AGRICULTURE

FARMERS HOME
ADMINISTRATION
Program Aid No. 1250

Loans to Limited-Resource Farmers

The Farmers Home Administration (FmHA) makes loans to help low-income farmers and ranchers who live on not larger than family farms, including small family farms, improve their farming and earn a better living. These loans are made on better terms than ordinary farm loans, and to those who cannot pay the regular rate of interest because of low income.

Every person who applies for a loan will be given equal consideration without regard to race, color, religion, sex, age, marital status, national origin, or physical or mental handicap (provided the individual possesses the capacity to enter into legal contract).

How Can Loan Funds Be Used?

Farm operating loan funds may be used to pay for items such as livestock, poultry, farm and home equipment, fencing, feed, seed, fuel, fertilizer, chemicals, crop insurance, food, clothing, and medical care. Certain debts may be refinanced.

Farm ownership loans may be used to buy or enlarge farms; to build, improve, or repair farm homes and farm service buildings; to refinance debts; to drill wells and improve water supply systems, and to develop and improve farmland.

Loans also may be used to finance nonfarm enterprises which will help farmers supplement their farm incomes.

Who Is A Limited-Resource Farmer?

A farmer with a low income who operates or will operate a family farm and who, with special help and a low interest loan, will be able to make loan payments and have an adequate living.

Among limited-resource farmers are:

1. Beginning farmers, especially young farmers, who have training or farm experience and adequate ability, but who do not have the income and other resources needed to enter into a successful farm operation.

2. Owners or operators of family farms who need low interest rate loans to make essential adjustments in their operations, including tenants who have an opportunity to buy a farm, operators who may be forced out of farming without FmHA credit, or operators who need to change farming practices because of economic or other conditions.

3. Disadvantaged farmers, including minorities or those with very limited resources, low incomes, indebtedness beyond their present ability to repay, inadequate financial or production management and credit, limited education, and an unsatisfactory level of living.

Are There Other Eligibility Requirements?

Limited-resource farmers also must meet the usual requirements for farm ownership loans. To be eligible, an applicant must:

1. Have farm experience or training and possess the industry and potential managerial ability to carry out the operation. The applicant also must have demonstrated credit repayment ability.
2. Possess the legal capacity to incur the obligations of the loan.
3. Be unable to obtain sufficient credit elsewhere at reasonable rates and terms.
4. Be a citizen of the United States.
5. Be either a tenant-operator or an owner-operator after the loan is closed.
6. Need to rely on farm income and any other income to provide a level of living comparable to that considered reasonably adequate for the area.

7. Honestly try to carry out the terms and conditions of the loan.

Eligible applicants may include individuals, farming partnerships, cooperatives, and corporations. Certain conditions must be met for partnerships, cooperatives, or corporations to be eligible for limited resource loans from FmHA.

What Are The Interest Rates?

The interest rate varies for farm ownership and operating loans made to limited-resource farmers. During the beginning years of the loan, farmers pay a reduced rate. Afterward, the interest rate is based on the farmer's repayment ability, within certain limits.

After the initial period of reduced interest rates, borrowers pay whatever interest rates they can afford for both types of loans, as long as it is not less than 5 percent and not more than the full rate ordinarily charged for FmHA farm loans. The full rate is determined periodically and is based on the cost of Government borrowing.

Every 2 years while the loan is being paid off, after the beginning period of lowered interest rates, FmHA determines how much money the farm and other sources are bringing in and whether the rate of interest should be changed.

If necessary, borrowers may be permitted to wait 3 years after getting a loan until full payments begin.

What Are The Repayment Terms?

Farm ownership loans can be repaid as long as 40 years.

The repayment time for operating loans varies from 1 to 7 years. Some loans can be extended up to 7 years beyond the original time limit.

FmHA officials can explain how payments are scheduled to fit the farmer's income and ability to pay.

What Are The Loan Limits?

FmHA may make farm ownership loans of up to \$200,000 and operating loans up to \$100,000. However, the needs of limited-resource farmers are usually well under those limits.

Who Determines Eligibility?

The FmHA county or area committee determines the eligibility of applicants. The committee consists of three persons who know local farming and credit conditions.

If Eligible, What Is the Next Step?

Before a loan is made, FmHA county office members help the applicant work out a "farm and home" plan. This plan maps out a schedule of production for the farm, sets good standards and goals for managing the family business, and outlines a program for making the farm produce better. While the loan is in effect, FmHA will continue to give the borrower counseling that will help improve the operation, and help the family improve its living conditions.

Where Can You Apply?

You can file an application at the county FmHA office serving the area where the farm is located.

FmHA offices are usually located in county seats. Office locations are listed in the telephone book under U.S. Government—Agriculture.

Local banks, other private lending in-

stitutions, Extension offices, and other local farm service centers can help direct you to the FmHA office.

Anyone unable to locate the local office may write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250. Give your name, your mailing address, and the state and county where the farm is located.

Does It Cost Anything To Apply For a Loan?

No. However, if a loan is made, the borrower must pay fees connected with the loan, such as lien searches and recording the security instruments.

What Other Loans Are Made By FmHA?

Other loans may be made to finance projects for rural youths, develop soil and water projects, meet emergency credit needs of farmers or ranchers, provide a variety of rural housing, develop community facilities, and finance business or industrial facilities.

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